

SINGLE AUDIT SECTION

CITY OF LINCOLN, NE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED AUGUST 31, 2002

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures	
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Summer Food Service Program for Children	10.559	6/02-8/02	\$ 51,703	
Summer Food Service Program for Children	10.559	6/01-8/01	<u>5,432</u>	57,135
Pass-Through State Department of Health and Human Services:				
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	2000	59	
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	2001	59,046	
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	2002	<u>347,467</u>	406,572
Nutrition Services Incentive (Commodities)	10.570			<u>169,164</u>
Total U.S. Department of Agriculture			\$	<u>632,871</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Congregate Housing Services Program (Mahoney Manor)	14.170	NE26-G940-001	\$ 64,737	
Congregate Housing Services Program (Burke Plaza)	14.170	NE26-G940-002	<u>39,444</u>	104,181
CDBG - Entitlement and Small Cities Cluster:				
Community Development Block Grant	14.218	B-99-00-01 MC-31-0001		4,013,551
Emergency Shelter Grant Program	14.231	S 00-01 MC-310002		85,603
HOME Investment Partnerships Program	14.239	M-98-99-00 MC-31-0202	1,488,686	
HOME Investment Partnerships Program	14.239	M-99-MC-31-0202	<u>280</u>	1,488,966
Community Development Block Grants/Economic Development Initiative	14.246	B-99-SP-NE-1085		81,392
Fair Housing Assistance Program - State and Local	14.401	FF207K007017		38,747
Pass-Through State Department of Health and Human Services:				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	2002		<u>1,261</u>
Total U.S. Department of Housing and Urban Development			\$	<u>5,813,701</u>
U.S. DEPARTMENT OF INTERIOR				
Pass-Through State Historical Society:				
Historical Preservation Fund Grants-in-Aid	15.904	01/02	\$ 21,651	
Historical Preservation Fund Grants-in-Aid	15.904	02/03	<u>14,926</u>	<u>\$ 36,577</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
State Domestic Preparedness Equipment Support Program	16.007	2002.TE-CX-0062	\$	115,247
Local Law Enforcement Block Grant	16.592	2000-LB-BX-0438	142,824	
Local Law Enforcement Block Grant	16.592	2000-LB-BX-1374	<u>121,188</u>	264,012
Bulletproof Vest Partnership Program	16.607			1,774
Public Safety Partnership and Community Policing Grant (Cops Ahead)	16.710	95-CC-WX-0426		348,521
Pass-Through State Comm. on Law Enforcement and Criminal Justice:				
Crime Victim Assistance	16.575	00-VA-900/00-VA-227	20,921	
Crime Victim Assistance	16.575	01-VA-220/01-VA-900	<u>117,225</u>	138,146
Byrne Formula Grant Program (Street Drug Dealer Apprehension Program)	16.579	00-DA-317	10,865	
Byrne Formula Grant Program (Street Drug Dealer Apprehension Program)	16.579	01-DA-307	<u>380,996</u>	<u>391,861</u>
Total U.S. Department of Justice			\$	1,259,561

(Continued)

See Accompanying Notes to Supplementary Schedule of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures	
U.S. DEPARTMENT OF LABOR				
Pass-Through State Department of Health and Human Services:				
Senior Community Service Employment Program	17.235	NGA 2003-048	\$ 767	
Senior Community Service Employment Program	17.235	NGA 2002-143	44,790	45,557
Pass-Through State Department of Labor:				
WIA Cluster:				
Workforce Investment Act (Adult)	17.258	2000	66	
Workforce Investment Act (Dislocated Worker)	17.260	2000	12	
Workforce Investment Act (Youth)	17.259	2000	207	
Workforce Investment Act (Adult)	17.258	2001	132,610	
Workforce Investment Act (Dislocated Worker)	17.260	2001	194,578	
Workforce Investment Act (Youth)	17.259	2001	236,329	
Workforce Investment Act Incentive/Capacity	17.255	2001	56,612	
WIA Dislocated Workers	17.260	EM-11756-01-60	2,619	623,033
Total U.S. Department of Labor			\$	668,590
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Programs:				
Federal Transit Cluster:				
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X046	\$ 1,026,838	
Federal Transit: Formula Grants (Transit Planning)	20.507	* RPT-CP990(020)	11,419	
Federal Transit: Formula Grants (Transit Planning)	20.507	* RPT-CP990(01)	55,580	
Federal Transit: Formula Grants (Sec. 9 Operating)	20.507	* NE-90-X048	79,828	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X048	1,161,200	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X052	995,912	
Federal Transit: Formula Grants (Maint. Facility)	20.507	* NE-03-0029	260,578	
Federal Transit: Formula Grants (Sec. 9 Operating)	20.507	* NE-90-X054	747,115	
Federal Transit: Formula Grants (Sec. 9 Capital)	20.507	* NE-90-X054	1,774,758	
Federal Transit: Formula Grants (Transit Planning)	20.507	* RPT-C990(022)	50,691	6,163,919
Pass-Through State Department of Roads:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction (Planning)	20.205	* HPR-PL1(39)	266,237	
Highway Planning and Construction (Bison Trail)	20.205	* STPB-55(130)	212,023	
Highway Planning and Construction (O Street - 52nd to Wedgewood)	20.205	* EACNH-34-6(124)	9,036,003	
Highway Planning and Construction (Antelope Valley)	20.205	* STPAA -BR-TMT-5244(3)	2,186,595	
Highway Planning and Construction (Baseball Pedestrian Overpass)	20.205	* RABA-55(138)	2,989,726	
Highway Planning and Construction (33rd Street & Sheridan)	20.205	* STPP-5214(2)	99,230	
Highway Planning and Construction (84th Street - Kathy Lane to Old Cheney)	20.205	* STPAA-5249(5)	10,516	
Highway Planning and Construction (84th Street - Cheney Ridge to Hwy 2)	20.205	* STPAA-5249(6)	16,330	
Highway Planning and Construction (South & East Beltway Study)	20.205	* DPU-3300(1)	160,346	
Highway Planning and Construction (Sun Valley Blvd & Charleston Bride)	20.205	* BR-5242(2)	15,362	
Highway Planning and Construction (Old Cheney - Hwy 2 to 70th Street)	20.205	* STPAA-5202(7)	265,328	15,257,696
Formula Grants for Other Than Urbanized Areas (Lancaster County Rural Transit)	20.509	RPT-C551(202)	14,766	
Formula Grants for Other Than Urbanized Areas (Lancaster County Rural Transit)	20.509	RPT-C551(203)	2,628	17,394
Pass-Through State Department of Highway & Safety:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	01-5		3,193
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	410-96-109		40,353
Total U.S. Department of Transportation			\$	21,482,555
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				
Direct Programs:				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	0/5010/0157	\$	41,771
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Pass-Through State Library Commission:				
State Library Program (Library Services and Technology Act)	45.310	2001	\$ 15,353	
State Library Program (Net Lender Contract)	45.310		3,605	\$ 18,958

(Continued)

See Accompanying Notes to Supplementary Schedule of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures	
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Programs:				
CEPP Technical Assistance Grants Program (Risk Management Program)	66.810	X99786101-0	\$	1,352
Pass-Through State Department of Environmental Quality:				
Air Pollution Control Program Support	66.001	M-007056(00)	833	
Air Pollution Control Program Support	66.001	M-007056(01)	18,229	
Air Pollution Control Program Support	66.001	M-007056(02)	80,364	99,426
Nonpoint Source Implementation Grants (Safe Water Tomorrow-South)	66.460	C9007403-00-0	10,821	
Nonpoint Source Implementation Grants (Holmes Lake Water Shed & Sediment/Channel Stab)	66.460		20,260	31,081
Surveys, Studies, Investigations and Special Purpose Grants (Air Toxic Monitoring)	66.606	X-98705701-0	15,767	
Surveys, Studies, Investigations and Special Purpose Grants (103 PM Monitoring)	66.606	PM997527-01(01)	16,766	
Surveys, Studies, Investigations and Special Purpose Grants (103 PM Monitoring)	66.606	PM997527-01(02)	16,234	48,767
Total U.S. Environmental Protection Agency			\$	180,626
FEMA				
Direct Programs:				
National Urban Search and Rescue (US&R) Response System	83.526	EMW-97-CA-0402	\$	260,631
U.S. DEPARTMENT OF EDUCATION				
Pass-Through State Department of Education:				
Special Education: Grants for Infants and Families with Disabilities (Innovative Projects)	84.181	965508-248-3C3-01	\$	2,091
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Community Service Block Grant Discretionary Awards-Community Food & Nutrition Program	93.571	90EN0436	\$	34,886
Pass-Through State Department of Health and Human Services:				
Special Programs for Aging Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect, & Expl	93.041	NGA 2002-045		5,000
Special Programs for Aging Title III, Part D: Disease Prevention and Health Promotion Services	93.043	NGA 2003-045	500	
Special Programs for Aging Title III, Part D: Disease Prevention and Health Promotion Services	93.043	NGA 2002-141	18,257	18,757
Aging Cluster:				
Special Programs for Aging Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	* NGA 2003-042	20,057	
Special Programs for Aging Title III, Part B: Grants for Supportive Services and Senior Centers	93.044	* NGA 2002-138	336,968	
Special Programs for Aging Title III, Part C: Nutrition Services	93.045	* NGA 2003-043	15,368	
Special Programs for Aging Title III, Part C: Nutrition Services	93.045	* NGA 2002-139	357,890	
Special Programs for Aging Title III, Part C: Nutrition Services	93.045	* NGA 2003-044	5,108	
Special Programs for Aging Title III, Part C: Nutrition Services	93.045	* NGA 2002-140	101,709	837,100
Special Programs for Aging Title III, Part E: National Family Caregiver Support Group	93.052	NGA 2003-046	7,430	
Special Programs for Aging Title III, Part E: National Family Caregiver Support Group	93.052	NGA 2002-092	37,149	44,579
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2001	10,194	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2002	14,230	24,424
Acquired Immunodeficiency Syndrome (Aids) Activity (STD)	93.118	2001	10,193	
Acquired Immunodeficiency Syndrome (Aids) Activity (STD)	93.118	2002	11,032	21,225
Childhood Lead Poisoning Prevention Projects (CDC 03)	93.197	99033	7,216	
Childhood Lead Poisoning Prevention Projects (CDC 02)	93.197	99033	45,547	52,763
Immunization Grants (Hepatitis B)	93.268	2002	5,448	
Immunization Grants (Hepatitis B)	93.268	2001	4,286	
Immunization Grants (NE Immunization Action Plan)	93.268	2002	30,078	
Immunization Grants (NE Immunization Action Plan)	93.268	2001	30,003	
Immunization Grants (NE Immunization Action Plan)	93.268	2000	999	70,814
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tobacco Prevention & Co	93.283	2002	54,944	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tobacco Prevention & Co	93.283	2003	13,728	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tobacco Free Coalition)	93.283	2002	309	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Tobacco Free Coalition)	93.283	2001	760	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Bioterrorism Grant)	93.283	99051	8,515	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Bioterrorism Grant)	93.283	99051	23,158	
Centers for Disease Control and Prevention: Investigations and Tech Assistance (Bioterrorism Grant)	93.283	99051	24,818	126,232

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See Accompanying Notes to Supplementary Schedule of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures	
Refugee and Entrant Assistance - Discretionary Grant (Elderly Refugee Services)	93.576	2001		50,542
Social Services Block Grant (SSBG)	93.667			12,633
Cooperative Agreements for State-Based Comprehensive Breast & Cervical CancerEarly Detection Program	93.919	2001	\$ 3,065	
Cooperative Agreements for State-Based Comprehensive Breast & Cervical CancerEarly Detection Program	93.919	2002	55,000	
Cooperative Agreements for State-Based Comprehensive Breast & Cervical CancerEarly Detection Program	93.919	2003	6,786	64,851
HIV Prevention Activities Health Dept Based (HIV Prevention Program)	93.940	2002	9,805	
HIV Prevention Activities Health Dept Based (HIV Prevention Program)	93.940	2001	4,992	
HIV Prevention Activities Health Dept Based (HIV Testing CTR/PCRS)	93.940	U62/CCU702039-15-1	32,369	
HIV Prevention Activities Health Dept Based (HIV Testing CTR/PCRS)	93.940	U62/CCU702039-15-1	17,538	64,704
Preventive Health and Health Services Block Grant (Injury Prevention & Control)	93.991	2003-PHHS-10-LHD-C	1,897	
Preventive Health and Health Services Block Grant (Injury Prevention & Control)	93.991	2002-PHHS-10-LHD-C	6,727	
Preventive Health and Health Services Block Grant (Local Director's Training Grant)	93.991	2002-PHHS-02-DDF	19,758	
Preventive Health and Health Services Block Grant (Local Director's Training Grant)	93.991	2001-PHHS-02-DDF	163	
Preventive Health and Health Services Block Grant (Cardiovascular)	93.991	2003-PHHS-08-LHD-C	3,700	
Preventive Health and Health Services Block Grant (Cardiovascular)	93.991	2002-PHHS-08-LHD-C	15,020	
Preventive Health and Health Services Block Grant (Diabetes)	93.991	2002	2,125	
Preventive Health and Health Services Block Grant (Epidemiology 2001)	93.991	2003-PHHS-09-LHD-C	3,423	
Preventive Health and Health Services Block Grant (Epidemiology 2000)	93.991	2002-PHHS-09-LHD-C	12,314	65,127
Maternal and Child Health Services Block Grant to the States (High Risk Newborns)	93.994	MCH-02-35		73,736
Pass-Through State Department of Labor:				
Temporary Assistance for Needy Families (Welfare to Work)	93.558	Y-7052-9-00-81-50		183,863
Total U.S. Department of Health and Human Services			\$	1,751,236
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Programs:				
Retired and Senior Volunteer Program	94.002	02SRNNE 070	\$	77,164
Foster Grandparent / Senior Companion Cluster:				
Foster Grandparent Program	94.011	439NO64-04	89,451	
Foster Grandparent Program	94.011	02SFNNE 068	39,614	
Senior Companion Program	94.016	01SCNNE 011	115,861	
Senior Companion Program	94.016	01SCNNE 011	11,486	256,412
Pass-Through Nebraska Volunteer Commission:				
AmeriCorps (Urban Revitalization Project)	94.006	ASFNE0281201(01)	20,579	
AmeriCorps (Urban Revitalization Project)	94.006	ASFNE0281201(02)	1,440	22,019
Total Corporation for National and Community Service			\$	355,595
Total Federal Expenditures			\$	32,504,763

CITY OF LINCOLN, NE
Notes to Supplementary Schedule of Expenditures of Federal Awards
August 31, 2002

(1) BASIS OF ACCOUNTING

The Supplementary Schedule of Expenditures of Federal Awards (the Schedule) is not prepared on the accrual basis of accounting. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Encumbrances are not included.

Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

(2) REPORTING ENTITY

The City of Lincoln, Nebraska, for purposes of the Schedule, includes all funds of the City as defined in Note 1 of the Notes to the Financial Statements, including Lincoln Electric System, Lincoln Water System, and Lincoln Wastewater System.

Lincoln Electric System (LES) operates on a calendar year basis for reporting purposes as opposed to the August 31 fiscal year basis of the City. As a result, the amounts included in the City's August 31, 2002, basic financial statements for LES are audited figures as of and for the year ended December 31, 2001.

(3) PASS-THROUGH AWARDS

The City of Lincoln receives certain federal awards in the form of pass-through awards from the State of Nebraska. Such amounts received as pass-through awards are specifically identified on the Schedule.

(4) MAJOR PROGRAMS

In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. Programs in the accompanying Schedule denoted with an asterisk (*) are determined by the independent auditor to be major programs.

(5) FEDERAL LOANS OUTSTANDING

The City administers the following loan programs for which the federal government imposes continuing compliance requirements on the following outstanding balances:

<u>CFDA#</u>	<u>Program</u>	<u>Outstanding Balance as of August 31, 2002</u>
14.218	Community Development Block Grant	\$ 9,215,289
14.239	HOME Investment Partnership Program	7,654,969

New loans included in the Schedule totaled \$937,210 and \$993,531, respectively.

The City administers the following loan programs for which the federal government does not impose continuing compliance requirements on the following outstanding balances:

<u>CFDA#</u>	<u>Program</u>	<u>Outstanding Balance as of August 31, 2002</u>
14.230	Rental Rehabilitation Program	\$ 681,722
14.240	Hope 3 Loan Program	30,319
66.458	Capitalization Grant Project Loan No. C317008-01	5,592,566

(6) CONTINGENCIES

The City receives funds under various federal grant programs and such awards are to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Basic Financial Statements
Performed in Accordance With Government Auditing Standards**

The Honorable Mayor
and Members of the City Council
City of Lincoln, Nebraska:

We have audited the basic financial statements of the City of Lincoln, Nebraska (the City) as of and for the year ended August 31, 2002, and have issued our report thereon dated January 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting, which we have reported to management of the City in a separate letter dated January 3, 2003.

This report is intended solely for the information and use of the members of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

/s/ **KPMG LLP**

January 3, 2003

**Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

The Honorable Mayor
and Members of the City Council
City of Lincoln, Nebraska:

Compliance

We have audited the compliance of the City of Lincoln, Nebraska (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2002. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item #02-02 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirement regarding the Davis-Bacon Act that is applicable to its Federal Transit Cluster program. Compliance with the requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2002.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items #02-01 and #02-02.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item #02-02 to be a material weakness.

This report is intended solely for the information and use of the members of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

/s/ **KPMG LLP**

January 3, 2003

CITY OF LINCOLN, NEBRASKA

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2002

I. Summary of Auditors' Results

- (a) Type of report issued as it relates to the financial statements: **Unqualified.**
- (b) The audit did not disclose any reportable conditions in internal control over the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) The audit did disclose reportable conditions in internal controls over a major program.
- (e) Type of report issued on compliance for major programs: **Qualified.**
- (f) The audit disclosed audit findings which are required to be reported in accordance with section 510(a) of OMB Circular A-133.
- (g) Major programs:
 - CFDA #20.205 Highway Planning and Construction Cluster
 - CFDA #20.507 Federal Transit Cluster
 - CFDA #93.044 and #93.045 Aging Cluster
- (h) Dollar threshold to distinguish Type A and B programs: \$1,423,328.
- (i) The City of Lincoln, Nebraska did qualify as a low-risk auditee.

II. Findings Related to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards*

None.

III. Findings and Questioned Costs Relating to Federal Awards

Finding #02-01

Program: CFDA #20.507 – Federal Transit Cluster – Reporting

Federal Grantor Agency: U.S. Department of Transportation

Criteria: The Code of Federal Regulations requires quarterly submission of the SF-269A, *Financial Status Report*. Recipients have the responsibility to ensure compliance with federal requirements through the use of sound internal controls.

Condition: Review procedures performed prior to the submission of the March 31, 2002 report did not discover reporting errors.

Questioned Costs: None.

Context: The errors were later found, the federal government was contacted, and a corrected report was submitted.

Cause: Employee turnover and the review procedures performed were not sufficient to discover errors.

Effect: Inaccurate reporting and increased risk of future submission of inaccurate reports.

Recommendation: We recommend the department analyze and update their current review procedures to ensure they are sufficient to prevent the submission of inaccurate reports; for example, the City could require the preparer of the report to submit supporting documentation for all amounts included within the report so the reviewer may verify the amounts reported agree to the City's accounting records.

Finding #02-02

Program: CFDA #20.507 – Federal Transit Cluster – Davis-Bacon Act

Federal Grantor Agency: U.S. Department of Transportation

Criteria: Non-federal entities shall include in their construction contracts subject to Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

Condition: The City did not require contractors to submit certified payrolls.

Questioned Costs: Unknown.

Context: No Davis-Bacon monitoring procedures were performed.

Cause: Employee turnover.

Effect: Inability to test for compliance.

Recommendation: We recommend the City develop policies and procedures to ensure they are in compliance with the Davis-Bacon Act.

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